

**MANTI CITY CORPORATION  
MANTI, UTAH**

**BASIC FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2005**

**Together with Independent Auditors' Report**



**KEMPBURDICK**  
KEMP BURDICK HINTON & HALL L.C.  
**CPA'S & ADVISORS**

**MANTI CITY CORPORATION**  
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**For The Year Ended June 30, 2005**

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# KEMPBURDICK

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manti City Corporation as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manti City Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Manti City Corporation as of June 30, 2005, and the respective changes in financial position, and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Municipal Building Authority special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2005 on our consideration of Manti City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manti City Corporation's basic financial statements. The accompanying supplementary information and the combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.  
November 18, 2005

**KEMPBURDICK**

KEMP BURDICK HINTON &amp; HALL L.L.C.

**CPA'S & ADVISORS**

**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**MEMBERS:**

**KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR**

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

We have audited the basic financial statements of Manti City Corporation, as of and for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Manti City Corporation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Manti City Corporation in the accompanying *Schedule of Findings and Recommendations*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manti City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Manti City in the accompanying *Schedule of Findings and Recommendations*.

This report is intended for the information of the Mayor, City Council and management of Manti City Corporation and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 18, 2005

**MANTI CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Manti City Corporation's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005.

Please read it in conjunction with the City's basic financial statements, which begin on page 12.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**REPORTING THE CITY AS A WHOLE**

**The Statement of Net Assets and the Statement of Activities**

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the method of accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets as the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non financial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

**Governmental activities:** most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Sales taxes, property taxes, and state and federal grants finance most of these activities.

**Business-type activities:** the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and electrical systems are reported here.



**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law. However, the City council establishes other funds to help it control and manage money for particular purposes, (ex. Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (ex. Grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

*Governmental funds:* most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations with the fund financial statements.

*Proprietary funds:* when the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of business-type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**The City as Trustee**

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**THE CITY AS A WHOLE**

The City's combined net assets were increased from \$4,708,186 to \$5,292,654. Our analysis below focuses on the net assets and changes in net assets of the City's governmental and business type-activities.

**Manti City Corporation's Net Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,195,733	\$ 1,342,416	\$ 1,225,140	\$ 1,113,443	\$ 2,420,873	\$ 2,455,859
Capital assets	4,224,974	4,132,080	7,372,770	7,244,908	11,597,744	11,376,988
Total assets	5,420,707	5,474,496	8,597,910	8,358,351	14,018,617	13,832,847
Long-term debt outstanding	2,718,667	2,922,448	5,240,878	5,237,373	7,959,545	8,159,821
Other liabilities	562,064	508,532	204,354	456,308	766,418	964,840
Total liabilities	3,280,731	3,430,980	5,445,232	5,693,681	8,725,963	9,124,661
Net assets:						
Invested in capital assets, net of debt	1,506,307	1,209,632	2,131,892	1,918,527	3,638,199	3,128,159
Restricted	830,600	558,727	667,044	213,854	1,497,644	772,581
Unrestricted (deficit)	(196,931)	275,157	353,742	532,289	156,811	807,446
Total net assets	\$ 2,139,976	\$ 2,043,516	\$ 3,152,678	\$ 2,664,670	\$ 5,292,654	\$ 4,708,186

Net assets of the City's governmental activities increased by \$96,460 or 4.72 percent. Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from a \$275,157 surplus at June 30, 2004, to a \$196,931 deficit at June 30, 2005.

The net assets of the City's business-type activities increased by \$488,008 or 18.31 percent. The City generally can only use these net assets to finance the continuing operations of the water, sewer, and electrical operations.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**THE CITY AS A WHOLE (Continued)**

The City's total revenues increased by \$224,172 or 5.97 percent. The total cost of all programs and services increased by \$50,586 or 1.51 percent. Our analysis below separately considers the operations of governmental and business type-activities.

**Manti City Corporation's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 776,672	\$ 680,950	\$ 1,792,563	\$ 1,828,973	\$ 2,569,235	\$ 2,509,923
Operating grants and contributions	133,782	192,733	628,857	-	762,639	192,733
Capital grants and contributions	42,182	75,792	14,341	389,483	56,523	465,275
General revenues:						
Property taxes	151,236	152,272	-	-	151,236	152,272
Other taxes	291,116	272,419	-	-	291,116	272,419
Other general revenues	145,804	159,759			145,804	159,759
Total revenues	1,540,792	1,533,925	2,435,761	2,218,456	3,976,553	3,752,381
Program expenses:						
General government	452,543	446,117	-	-	452,543	446,117
Public safety	216,957	246,829	-	-	216,957	246,829
Public health	30,218	29,473	-	-	30,218	29,473
Highway and public improvements	292,807	230,487	-	-	292,807	230,487
Parks and recreation	622,506	659,787	-	-	622,506	659,787
Interest on long term debt	131,301	144,251	-	-	131,301	144,251
Water	-	-	376,239	260,745	376,239	260,745
Sewer	-	-	222,558	218,141	222,558	218,141
Electric	-	-	1,046,956	1,105,669	1,046,956	1,105,669
Total expenses	1,746,332	1,756,944	1,645,753	1,584,555	3,392,085	3,341,499
Excess (deficiency) before adjustment to beginning net assets	(205,540)	(223,019)	790,008	633,901	584,468	410,882
Transfers in (out)	302,000	132,300	(302,000)	(132,300)	-	-
Increase (Decrease) in Net Assets	\$ 96,460	\$ (90,719)	\$ 488,008	\$ 501,601	\$ 584,468	\$ 410,882

**Governmental Activities**

Revenues for the City's governmental activities increased by \$6,867 or .45 percent and total expenses decreased by \$10,612 or .60 percent. The increase in revenues is due a combination of factors. The City experienced a reduction in grant revenue of approximately \$92,500. However the City increased rentals from the City complexes by approximately \$72,000 and an operating transfer of \$302,000 from the business-type activities.

**Business-type Activities**

Revenues for the City's business-type activities increased by \$217,305 or 9.80 percent and total expenses increased by \$61,198 or 3.86 percent. The factors driving these results include:

- As part of the financing agreements related to the upgrade of the water distribution system the City, increased grant revenue by approximately \$248,000.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**THE CITY AS A WHOLE (Continued)**

- The increase in expenses was mainly due to the increase interest expense changed for the new water bonds issued.

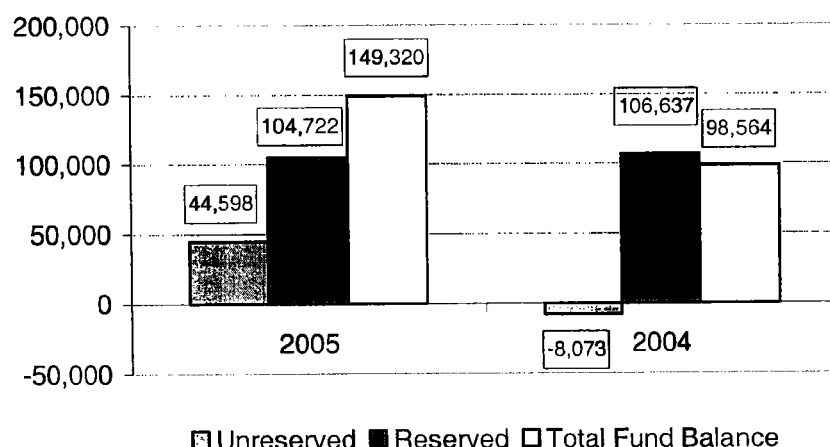
**THE CITY'S FUNDS**

**General Governmental Functions**

The General Fund

The fund balance increased by 51 percent (from \$98,564 to \$149,320). The following graphs show the changes in the fund balance and the portion of the fund balance which is reserved and unreserved for the respective years.

**General Fund - Fund Balance**



The increase in the fund balance is a result from transfers into the General Fund of \$250,000 from the Enterprise Funds.

Municipal Building Authority (MBA)

This fund records the rent paid for the general fund and in turn makes the necessary bond payments for the new city building. The MBA issued bonded debt in the prior year of \$321,000, of which \$295,513 of those proceeds were received in the current year.

**Business-type functions**

Water fund

Net assets of the water fund increase by approximately \$613,000 compared to an increase last year by approximately \$534,000. The main factors causing the net increase is related to an increase of construction grants of approximately \$248,000, and increased interest expense related to debt of approximately \$63,000, increased depreciation expense of approximately \$45,000 and a transfer out of \$70,000.

Sewer fund

Net assets of the sewer fund increased by approximately \$583,000 compared to last year's decrease of approximately \$14,500. The main factor causing the increase was a transfer of \$600,000 into this fund.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**THE CITY'S FUNDS (Continued)**

Electric fund

Net assets of the electric fund decreased by approximately \$700,000 compared to a decrease of approximately \$19,300 in the prior year. The main reason net assets decreased is due to an operating transfer to the other fund of \$832,000. Excluding the transfer, net assets would have increased by approximately \$132,000.

**General Fund Budgetary Highlights**

Over the course of the year, the City Council revised the City budget to reflect new information they received regarding revenues and expenditures. The final budget has been adjusted as follows. General governmental expenditures were adjusted upward to account for an increase in salaries and professional services. Parks and recreation expenditures were adjusted downward due to the City budgeting the additional construction to the City Complex in this fund. The City adjusted the budget to reflect the construction in the Municipal Building Authority.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2005 the City had approximately \$18,645,000 invested in a broad range of capital assets, including fire and ambulance equipment, vehicles and maintenance equipment, buildings, park facilities, roads, bridges, and utility distribution and collection systems. This amount represents a net increase (including additions and deductions) of approximately \$790,000 or 4 percent over last year.

This year's major additions include (at approximate amounts):

Water system upgrades	\$ 511,000
Build-out on the City Complex for tenant improvements	261,000

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

**Debt**

At year-end, the City had approximately \$7,960,000 in bonds and notes outstanding versus approximately \$8,160,000 last year – a decrease of 2.5 percent. For government activities, no new debt was issued during the year.

For business-type activities, the City in the prior year had issued \$939,000 and \$500,000 in debt to complete the upgrade to the water distribution system. At June 30, 2004 the City had only drawn \$1,120,579 of those bonds. During the current year, the City drew down the remaining \$318,421 of the bond proceeds.

More detailed information about the City's debt is presented in Note 7 to the financial statements.

**MANTI CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For The Year Ended June 30, 2005**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City held a special general obligation bond election in June of 2005. The voters approved a one million-dollar general obligation zero interest bonds to be used for a new Manti City Swimming Pool/Aquatic Center. The initial bids on the project were higher than budget anticipations and this is currently "on hold" pending review of building estimates, contracts, and bids. It is anticipated the pool maybe come a reality in calendar year 2006 and 2007.

Major capital projects for fiscal 2006 will, in all probability, be limited to absolute need. At this time there are no major projects planned, though a study is underway which could affect several different areas. These areas would include industrial park, sanitary sewer system, and street improvements in a newly annexed area.

**BASIC FINANCIAL STATEMENTS**

**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 322,005	\$ 48,700	\$ 370,705
Receivables:			
Accounts, net	28,396	130,337	158,733
Taxes	239,000	-	239,000
Inventory	-	154,791	154,791
Internal balances	(224,268)	224,268	-
Restricted assets:			
Cash and cash equivalents	830,600	667,044	1,497,644
Capital assets, net of accumulated depreciation:			
Land	206,616	91,435	298,051
Buildings	2,381,289	-	2,381,289
Utility distribution and collection systems	-	7,161,875	7,161,875
Machinery and equipment	139,707	119,460	259,167
Infrastructure	1,497,362	-	1,497,362
Total Assets	<u>\$ 5,420,707</u>	<u>\$ 8,597,910</u>	<u>\$ 14,018,617</u>
<b>LIABILITIES:</b>			
Cash overdraft	\$ 92,383	\$ -	\$ 92,383
Accounts payable	46,911	99,149	146,060
Accrued liabilities	29,169	81,705	110,874
Accrued interest payable	13,881	-	13,881
Developer and customer deposits	-	23,500	23,500
Deferred revenue	379,720	-	379,720
Bonds payable:			
Due within one year	245,000	356,986	601,986
Due in more than one year	2,473,667	4,792,935	7,266,602
Capital leases:			
Due within one year	-	21,728	21,728
Due in more than one year	-	69,229	69,229
Total Liabilities	<u>3,280,731</u>	<u>5,445,232</u>	<u>8,725,963</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	1,506,307	2,131,892	3,638,199
Restricted for:			
Perpetual care	217,321	-	217,321
Library	104,722	-	104,722
Debt Service	248,965	-	248,965
Future development	231,469	667,044	898,513
City Improvements	28,123	-	28,123
Unrestricted	(196,931)	353,742	156,811
Total Net Assets	<u>2,139,976</u>	<u>3,152,678</u>	<u>5,292,654</u>
Total Liabilities and Net Assets	<u>\$ 5,420,707</u>	<u>\$ 8,597,910</u>	<u>\$ 14,018,617</u>

The accompanying notes are an integral part of the financial statements.



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**MANTI CITY CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary Government:</b>							
Government Activities:							
General governmental	\$ 452,543	\$ 570,269	\$ 133,782	\$ 8,264	\$ 259,772	\$ -	\$ 259,772
Public safety	216,957	-	-	-	(216,957)	-	(216,957)
Public health	30,218	-	-	-	(30,218)	-	(30,218)
Highway and public improvements	292,807	-	-	-	(292,807)	-	(292,807)
Parks, recreation, and public property	622,506	206,403	-	33,918	(382,185)	-	(382,185)
Interest on long-term debt	131,301	-	-	-	(131,301)	-	(131,301)
<b>Total Governmental Activities</b>	<b>1,746,332</b>	<b>776,672</b>	<b>133,782</b>	<b>42,182</b>	<b>(793,696)</b>	<b>-</b>	<b>(793,696)</b>
<b>Business-type Activities:</b>							
Water	376,239	424,399	628,857	5,678	-	682,695	682,695
Sewer	222,558	204,215	-	1,373	-	(16,970)	(16,970)
Electric	1,046,956	1,163,949	-	7,290	-	124,283	124,283
<b>Total Business-type Activities</b>	<b>1,645,753</b>	<b>1,792,563</b>	<b>628,857</b>	<b>14,341</b>	<b>-</b>	<b>790,008</b>	<b>790,008</b>
<b>Total Primary Government</b>	<b>\$ 3,392,085</b>	<b>\$ 2,569,235</b>	<b>\$ 762,639</b>	<b>\$ 56,523</b>	<b>\$ (793,696)</b>	<b>\$ 790,008</b>	<b>\$ (3,688)</b>
<b>General Revenues:</b>							
			Property taxes		\$ 151,236	\$ -	\$ 151,236
			Sales taxes		281,218	-	281,218
			Franchise taxes		9,898	-	9,898
			Unrestricted investment earning		6,935	-	6,935
			Other		138,869	-	138,869
			Transfers		302,000	(302,000)	-
			Total General Revenues		890,156	(302,000)	588,156
			Changes in Net Assets		96,460	488,008	584,468
			Net Assets, Beginning		2,043,516	2,664,670	4,708,186
			Net Assets, Ending		\$ 2,139,976	\$ 3,152,678	\$ 5,292,654

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2005**

	General	Municipal Building Authority	Permanent	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 322,005	\$ -	\$ -	\$ -	\$ 322,005
Receivables:					
Accounts, net	28,396	-	-	-	28,396
Taxes	239,000	-	-	-	239,000
Due from other funds	-	4,316	-	58,474	62,790
Restricted assets:					
Cash and cash equivalents	335,221	251,656	217,321	26,402	830,600
<b>Total Assets</b>	<b>\$ 924,622</b>	<b>\$ 255,972</b>	<b>\$ 217,321</b>	<b>\$ 84,876</b>	<b>\$ 1,482,791</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Cash overdraft	\$ 92,383	\$ -	\$ -	\$ -	\$ 92,383
Accounts payable	11,444	-	-	35,467	46,911
Accrued liabilities	29,169	-	-	-	29,169
Due to other funds	262,586	-	-	24,472	287,058
Deferred revenue	379,720	-	-	-	379,720
<b>Total Liabilities</b>	<b>775,302</b>	<b>-</b>	<b>-</b>	<b>59,939</b>	<b>835,241</b>
<b>Fund Balances:</b>					
Reserved for:					
Perpetual care	-	-	217,321	-	217,321
Library	104,722	-	-	-	104,722
Construction	-	2,691	-	-	2,691
Debt service	-	248,965	-	-	248,965
Unreserved, reported in:					
General fund	44,598	-	-	-	44,598
Municipal Building Authority	-	4,316	-	-	4,316
Business Development	-	-	-	1,930	1,930
Manti Pageant	-	-	-	-	-
Service Organization	-	-	-	23,007	23,007
<b>Total Fund Balances</b>	<b>149,320</b>	<b>255,972</b>	<b>217,321</b>	<b>24,937</b>	<b>647,550</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 924,622</b>	<b>\$ 255,972</b>	<b>\$ 217,321</b>	<b>\$ 84,876</b>	<b>\$ 1,482,791</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	\$ 647,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,224,974
Interest expense is not due and payable in the current period and, therefore, is not recorded in the funds.	(13,881)
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the funds.	<u>(2,718,667)</u>
Total net assets - governmental activities	<u>\$ 2,139,976</u>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2005**

	General	Municipal Building Authority	Permanent	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 567,277	\$ -	\$ -	\$ -	\$ 567,277
Licenses and permits	13,863	-	-	-	13,863
Intergovernmental	141,445	-	-	-	141,445
Charges for services	461,132	206,403	-	59,237	726,772
Fines and forfeitures	28,147	-	-	-	28,147
Miscellaneous	30,462	-	7,800	3,343	41,605
Interest	9,337	7,464	4,679	203	21,683
Total Revenues	<u>1,251,663</u>	<u>213,867</u>	<u>12,479</u>	<u>62,783</u>	<u>1,540,792</u>
<b>Expenditures:</b>					
Current:					
General government	377,233	-	-	73,973	451,206
Public safety	207,974	-	-	-	207,974
Public health	16,218	-	-	-	16,218
Highway and public improvements	218,227	-	-	-	218,227
Parks, recreation and public property	483,224	6,044	-	45,421	534,689
Debt service:					
Principal	115,114	90,000	-	-	205,114
Interest	14,852	111,763	-	-	126,615
Capital outlay:					
Parks, recreation and public property	18,065	261,546	-	-	279,611
Total Expenditures	<u>1,450,907</u>	<u>469,353</u>	<u>-</u>	<u>119,394</u>	<u>2,039,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(199,244)</u>	<u>(255,486)</u>	<u>12,479</u>	<u>(56,611)</u>	<u>(498,862)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in (out)	250,000	23,000	-	29,000	302,000
Bond Proceeds	-	295,513	-	-	295,513
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>318,513</u>	<u>-</u>	<u>29,000</u>	<u>597,513</u>
Net Change in Fund Balances	50,756	63,027	12,479	(27,611)	98,651
Fund Balance, Beginning	<u>98,564</u>	<u>192,945</u>	<u>204,842</u>	<u>52,548</u>	<u>548,899</u>
Fund Balance, Ending	<u>\$ 149,320</u>	<u>\$ 255,972</u>	<u>\$ 217,321</u>	<u>\$ 24,937</u>	<u>\$ 647,550</u>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 98,651
Governmental funds have reported capital outlays, past and present, as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(186,717)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net assets.	279,611
Bond proceeds received are recorded as revenue in the funds, but is recorded as a liability in the statement of net assets.	(295,513)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	205,114
Costs of issuance related to the issuance of bonds is not amortized in the funds, but is amortized as a reduction of debt in the statement of net assets.	(1,332)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expense is reported when due.	(3,354)
Change in net assets of governmental activities	<u>\$ 96,460</u>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For The Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 633,000	\$ 567,000	\$ 567,277	\$ 277
Licenses and permits	14,500	14,000	13,863	(137)
Intergovernmental revenues	269,000	141,000	141,445	445
Charges for services	378,500	461,000	461,132	132
Fines and forfeitures	32,000	28,000	28,147	147
Miscellaneous revenues	431,300	41,000	39,799	(1,201)
Total Revenues	1,758,300	1,252,000	1,251,663	(337)
<b>Expenditures:</b>				
General government:				
Municipal Courts	26,100	28,000	24,808	3,192
Administration	117,000	148,000	144,499	3,501
Flood Control	35,000	29,000	25,598	3,402
Waste Collection	93,000	81,500	78,313	3,187
TV Translator	6,500	2,100	2,040	60
Adult Center	2,500	400	345	55
Library	85,800	91,000	88,017	2,983
Airport	12,000	12,000	12,000	-
Economic Development	3,000	2,000	1,613	387
Public safety:				
Public Safety	151,400	153,000	149,162	3,838
Fire	126,100	62,000	58,812	3,188
Public health:				
Highway and public improvements	19,200	19,000	16,218	2,782
Parks, recreation and public property:				
Old City Hall	226,500	223,500	218,227	5,273
City Building	18,300	22,000	18,587	3,413
City Complex	63,500	81,000	77,163	3,837
Memorial Park	526,100	242,000	236,504	5,496
Recreation	45,300	41,500	40,340	1,160
Cemetery	24,200	29,000	28,411	589
Debt:				
Principal	78,700	83,000	82,219	781
Interest	97,000	116,000	115,114	886
Capital outlay:				
Public Safety	17,700	16,000	14,852	1,148
Memorial Park	33,000	-	-	-
Total Expenditures	20,000	20,000	18,065	1,935
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,827,900	1,502,000	1,450,907	51,093
Other Financing Sources (Uses):				
Transfers in (out)	(69,600)	(250,000)	(199,244)	50,756
Total Other Financing Sources	44,600	250,000	250,000	-
Net Change in Fund Balance	44,600	250,000	250,000	-
Fund Balance, Beginning	\$ (25,000)	\$ -	50,756	\$ 50,756
Fund Balance, Ending			98,564	
			\$ 149,320	

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – MUNICIPAL BUILDING AUTHORITY**  
**SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ 222,000	\$ 178,000	\$ 206,403	\$ 28,403
Bond Proceeds	-	-	-	-
Miscellaneous revenues	-	-	-	-
Interest Revenue	3,000	7,500	7,464	(36)
Total Revenues	225,000	185,500	213,867	28,367
<b>Expenditures:</b>				
Parks, recreation and public property	9,500	6,500	6,044	456
Debt:				
Principal	85,000	90,000	90,000	-
Interest	124,000	112,000	111,763	237
Capital outlay:				
Parks, recreation and public property	327,500	262,000	261,546	454
Total Expenditures	546,000	470,500	469,353	1,147
Excess (deficiency) of Revenues Over (Under) Expenditures	(321,000)	(285,000)	(255,486)	29,514
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	-	23,000	23,000	-
Bond Proceeds	321,000	262,000	295,513	(33,513)
Total Other Financing Sources (Uses)	321,000	285,000	318,513	33,513
Net Change in Fund Balance	\$ -	\$ -	63,027	\$ 63,027
Fund Balance, Beginning			192,945	
Fund Balance, Ending			\$ 255,972	

The accompanying notes are an integral part of the financial statements.



**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2005**

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Electric Current Year	Electric Prior Year	Totals Current Year
<b>Assets:</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 48,700	\$ 201,824	\$ 48,700
Accounts receivable, net	29,228	28,552	16,337	15,524	84,772	78,263	130,337
Inventory of supplies	5,000	5,000	280	280	149,511	138,836	154,791
Due from other funds	78,811	29,475	-	-	247,972	937,829	326,783
<b>Total Current Assets</b>	<b>113,039</b>	<b>63,027</b>	<b>16,617</b>	<b>15,804</b>	<b>530,955</b>	<b>1,356,752</b>	<b>660,611</b>
<b>Noncurrent Assets:</b>							
Restricted cash and cash equivalents	242,644	58,458	125,873	10,500	298,527	144,896	667,044
Capital assets, net of accumulated depreciation:							
Land	-	-	91,435	91,435	-	-	91,435
Utility distribution and collection systems	4,347,922	1,827,394	1,136,133	1,193,810	1,677,820	1,837,546	7,161,875
Equipment	15,060	21,783	-	-	104,400	117,450	119,460
Construction in progress	-	2,155,490	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>4,605,626</b>	<b>4,063,125</b>	<b>1,353,441</b>	<b>1,295,745</b>	<b>2,080,747</b>	<b>2,099,892</b>	<b>8,039,814</b>
<b>Total Assets</b>	<b>\$ 4,718,665</b>	<b>\$ 4,126,152</b>	<b>\$ 1,370,058</b>	<b>\$ 1,311,549</b>	<b>\$ 2,611,702</b>	<b>\$ 3,456,644</b>	<b>\$ 8,700,425</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS (Continued)**  
**June 30, 2005**

Business-type Activities - Enterprise Funds							
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Electric Current Year	Electric Prior Year	Totals Current Year
<b>Liabilities:</b>							
Current Liabilities:							
Accounts payable	\$ 66,638	\$ 277,495	\$ 64	\$ 2,128	\$ 32,447	\$ 7,455	\$ 99,149
Accrued liabilities	34,575	100,589	2,825	2,803	44,305	47,868	81,705
Due to other funds	-	-	102,515	535,994	-	-	102,515
Customer deposits, refundable	-	-	-	-	23,500	17,970	23,500
Capital Lease	-	-	-	-	21,728	21,086	21,728
Bonds Payable	101,986	98,202	93,000	89,000	162,000	160,000	356,986
Total Current Liabilities	203,199	476,286	198,404	629,925	283,980	254,379	685,583
Noncurrent Liabilities:							
Capital Lease	-	-	-	-	69,229	90,957	69,229
Bonds Payable	2,982,282	2,729,377	522,000	615,000	1,288,653	1,433,751	4,792,935
Total Noncurrent Liabilities	2,982,282	2,729,377	522,000	615,000	1,357,882	1,524,708	4,862,164
Total Liabilities	3,185,481	3,205,663	720,404	1,244,925	1,641,862	1,779,087	5,547,747
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	1,278,714	1,088,080	612,568	581,245	240,610	249,202	2,131,892
Restricted for construction	242,644	58,458	125,873	10,500	298,527	144,896	667,044
Unrestricted	11,826	(226,049)	(88,787)	(525,121)	430,703	1,283,459	353,742
Total Net Assets	1,533,184	920,489	649,654	66,624	969,840	1,677,557	3,152,678
Total Liabilities and Net Assets	\$ 4,718,665	\$ 4,126,152	\$ 1,370,058	\$ 1,311,549	\$ 2,611,702	\$ 3,456,644	\$ 8,700,425

The accompanying notes are an integral part of the financial statements.

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**MANTI CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2005**

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Electric Current Year	Electric Prior Year	Totals Current Year
<b>Operating Revenues:</b>							
Charges for services	\$ 402,948	\$ 394,465	\$ 204,215	\$ 202,421	\$ 1,060,326	\$ 1,080,019	\$ 1,667,489
Material and labor sales	-	274	-	-	24,294	51,776	24,294
Impact Fees	21,000	16,440	-	-	-	-	21,000
Other	451	965	-	-	79,329	82,614	79,780
<b>Total Operating Revenues</b>	<b>424,399</b>	<b>412,144</b>	<b>204,215</b>	<b>202,421</b>	<b>1,163,949</b>	<b>1,214,409</b>	<b>1,792,563</b>
<b>Operating Expenses:</b>							
Power purchased	-	-	-	-	465,391	455,416	465,391
Salaries and wages	80,487	72,829	76,261	68,798	212,917	191,644	369,665
Materials and supplies	17,624	28,909	24,207	17,950	63,355	131,245	105,186
Depreciation	152,317	106,969	57,677	57,677	172,775	172,956	382,769
Other operating expenses	37,252	27,022	33,903	39,561	39,429	47,185	110,584
<b>Total Operating Expenses</b>	<b>287,680</b>	<b>235,729</b>	<b>192,048</b>	<b>183,986</b>	<b>953,867</b>	<b>998,446</b>	<b>1,433,595</b>
<b>Operating Income (Loss)</b>	<b>136,719</b>	<b>176,415</b>	<b>12,167</b>	<b>18,435</b>	<b>210,082</b>	<b>215,963</b>	<b>358,968</b>
<b>Nonoperating Revenues (Expenses):</b>							
Grant income	628,857	380,993	-	-	-	-	628,857
Investment earnings	5,678	3,102	1,373	1,197	7,290	4,190	14,341
Interest expense	(88,559)	(25,016)	(30,510)	(34,155)	(93,089)	(107,223)	(212,158)
Transfer in/(out)	(70,000)	-	600,000	-	(832,000)	(132,300)	(302,000)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>475,976</b>	<b>359,079</b>	<b>570,863</b>	<b>(32,958)</b>	<b>(917,799)</b>	<b>(235,333)</b>	<b>129,040</b>
<b>Changes in Net Assets</b>	<b>612,695</b>	<b>535,494</b>	<b>583,030</b>	<b>(14,523)</b>	<b>(707,717)</b>	<b>(19,370)</b>	<b>488,008</b>
<b>Net Assets, Beginning</b>	<b>920,489</b>	<b>384,995</b>	<b>66,624</b>	<b>81,147</b>	<b>1,677,557</b>	<b>1,696,927</b>	<b>2,664,670</b>
<b>Net Assets, Ending</b>	<b>\$ 1,533,184</b>	<b>\$ 920,489</b>	<b>\$ 649,654</b>	<b>\$ 66,624</b>	<b>\$ 969,840</b>	<b>\$ 1,677,557</b>	<b>\$ 3,152,678</b>

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Year Ended June 30, 2005**

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Electric Current Year	Electric Prior Year	Totals Current Year
<b>Cash Flows From Operating Activities:</b>							
Receipts from customers and users	\$ 423,723	\$ 412,900	\$ 203,403	\$ 202,174	\$ 1,162,970	\$ 1,218,814	\$ 1,790,096
Payments to suppliers	(265,732)	166,733	(60,174)	(58,215)	(553,858)	(749,236)	(879,764)
Payments to employees and related benefits	(164,517)	(73,622)	(76,239)	(69,861)	(185,795)	(192,131)	(426,551)
Net cash flows from operating activities	(6,526)	506,011	66,990	74,098	423,317	277,447	483,781
<b>Cash Flows From Capital and Related Financing Activities:</b>							
Grants	628,857	380,993	-	-	-	-	628,857
Proceeds from bond issuance	318,421	1,120,579	-	-	-	-	318,421
Principal paid on bonds	(61,732)	(56,000)	(89,000)	(84,000)	(160,000)	(153,000)	(310,732)
Interest paid	(70,544)	(25,296)	(30,510)	(34,155)	(106,871)	(88,153)	(207,925)
Principal paid on lease	-	-	-	-	(21,086)	(20,242)	(21,086)
Net cash flows from capital and related financing activities:	815,002	1,420,276	(119,510)	(118,155)	(287,957)	(261,395)	407,535
<b>Cash Flows From Non-Capital Financing Activities:</b>							
Transfers in	(70,000)	-	600,000	-	(832,000)	(132,300)	600,000
Transfers out	-	-	(433,479)	13,557	-	-	(902,000)
Due to other funds	(70,000)	-	166,521	13,557	(832,000)	(132,300)	(433,479)
Net cash flows from non-capital financing activities	-	-	-	-	-	-	(735,479)
<b>Cash Flows From Investing Activities:</b>							
Interest on investments	5,678	3,102	1,372	1,197	7,290	4,190	14,340
Purchase of equipment/improvements	(510,632)	(1,969,482)	-	-	-	-	(510,632)
Due from other funds	(49,336)	12,854	-	-	689,857	129,137	640,521
Net cash flows from investing activities	(554,290)	(1,953,526)	1,372	1,197	697,147	133,327	144,229
<b>Net Increase (Decrease) In Cash</b>	184,186	(27,239)	115,373	(29,303)	507	17,079	300,066
<b>Cash At Beginning Of Year</b>	58,458	85,697	10,500	39,803	346,720	329,641	415,678
<b>Cash At End Of Year</b>	\$ 242,644	\$ 58,458	\$ 125,873	\$ 10,500	\$ 347,227	\$ 346,720	\$ 715,744

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (Continued)**  
**For The Year Ended June 30, 2005**

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Electric Current Year	Electric Prior Year	Totals Current Year
Reconciliation of operating income to net cash flows from operating activities:							
Operating income (loss)	\$ 136,719	\$ 176,415	\$ 12,167	\$ 18,435	\$ 210,082	\$ 215,963	\$ 358,968
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation expense	152,317	106,969	57,677	57,677	172,775	172,956	382,769
(Increase) Decrease in accounts receivables	(676)	756	(812)	(247)	(6,509)	1,735	(7,997)
(Increase) Decrease in inventory	-	-	-	-	(10,675)	11,942	(10,675)
Increase (Decrease) in accounts payable	(210,857)	222,664	(2,064)	(704)	24,992	(127,332)	(187,929)
Increase (Decrease) in accrued liabilities	(84,029)	(793)	22	(1,063)	27,122	(487)	(56,885)
Increase (Decrease) in customer deposits	-	-	-	-	5,530	2,670	5,530
Net cash flows from operating activities	\$ (6,526)	\$ 506,011	\$ 66,990	\$ 74,098	\$ 423,317	\$ 277,447	\$ 483,781

The accompanying notes are an integral part of the financial statements.

**MANTI CITY CORPORATION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**June 30, 2005**

**Assets:**

Cash	\$ 932
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**Liabilities:**

Due to organizations	\$ 932
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The accompanying notes are an integral part of the financial statements.

## MANTI CITY CORPORATION NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Manti City Corporation (the City) operates under a council form of government and provides the following services as authorized by its charter: public safety, public health, highways, recreation, water, sewer, and electric.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

#### (A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The Manti City Municipal Building Authority, an entity legally separate from the City is governed by the members of the City Council. For financial reporting purposes, the Municipal Building Authority is reported as if it were part of the City's operations because its purpose is to finance and provide an office building for citizens of the City. The Municipal Building Authority is presented as a special revenue fund.

The City's basic financial statements include all City operations.

#### (B) Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(B) Government-Wide and Fund Financial Statements (Continued)**

properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they become an enforceable lien. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except for those required to be accounted for in another fund.

The Municipal Building Authority Special Revenue Fund accounts for the rental revenues from the City Building and the related bond payments.

The Permanent Fund is used to account for the City's cemetery care.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The Sewer Fund accounts for the activities of the City's sewer collection operations.

The Electric Fund accounts for the activities of the City's electricity distribution system.

Additionally, the City reports the following fund types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The City accounts for the Business Development and the Manti Pageant Service Organization in special revenue funds.

The Agency fund is used to account for assets held by the City in a trustee capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund, the Sewer enterprise fund, and the Electric enterprise fund are charges to customers of the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**(D) Budgetary Data**

The City Council follows these procedures in establishing the budgetary data reflected in the financial statement –

- (1) Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.

# MANTI CITY CORPORATION

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgetary Data (Continued)

- (4) The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that increase the total expenditures of any fund must be approved at a public hearing.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adopted.

(E) Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as the cash and cash equivalents accounts and the restricted cash and cash equivalents accounts.

Investments

Investments of the City are stated at cost, which approximates fair value.

(F) Inventory

Inventories of the enterprise funds are stated at cost using the first in first out method.

(G) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure are depreciated using the straight line method over the following useful lives:

<u>ASSETS</u>	<u>Years</u>
Buildings	20-40
Utility distribution and collection systems	40
Infrastructure	30-50
Vehicles	5-20
Equipment	10-20

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(I) Property Taxes

Property taxes attach as an enforceable lien on property as of the first of January. Taxes are levied on October 1 and are due and payable at November 30.

(J) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(K) Fund Balances - Reserved

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The reserved fund balance for the Governmental Activities includes: funds received from private donations that are to be used exclusively for future operations of the City library, amounts received which must be expended for specific construction projects, and amounts which contractually must be held to pay debts. The Business-type Activities also has reserved fund balance for amounts received which must be used for specific construction projects.

(L) Comparative Data

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The City maintains a cash and investment pool, which includes the cash account and one investment, which is available for use by all funds.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 2 CASH AND CASH EQUIVALENTS (Continued)**

As of June 30, 2005, the City had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on hand and on deposit:			
Cash on hand	\$ 300	N/A	N/A
Cash on deposit	78,005	N/A	N/A
Utah State Treasurer's investment pool account	1,790,044	N/A	N/A
Total cash and investments	<u>\$ 1,868,349</u>		

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using the weighted average days to maturity.

The City's cash and cash equivalents and investments are exposed to certain risks as outlined below:

*Interest rate risk* is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing only in the Utah Public Treasurer's Investment Fund.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2005, the Utah Public Treasurer's Investment Fund was unrated.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

*Custodial credit risk – deposits* is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, the City was not exposed to custodial risks for deposits.

*Custodial credit risk – investments* is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 3 RESTRICTED ASSETS**

Certain assets are restricted to use as follows as of June 30, 2005:

Restricted for library	\$ 104,722
Restricted for construction of aquatic center	220,692
Restricted for improvements to the old city hall	8,085
Restricted for tornado cleanup	1,722
Restricted for MIBA building improvements	26,402
Restricted for bond payments	248,965
Restricted revenue for future construction	669,735
Restricted for cemetery perpetual care	217,321
Total	<u>\$ 1,497,644</u>

**NOTE 4 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The allowance for doubtful accounts receivable at June 30, 2005 for all funds is \$14,400.

**NOTE 5 CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 206,616	\$ -	\$ -	\$ 206,616
Construction in progress	19,487	-	19,487	-
Total capital assets, not being depreciated	<u>226,103</u>	<u>-</u>	<u>19,487</u>	<u>206,616</u>
Capital assets, being depreciated:				
Buildings	2,793,231	281,033	-	3,074,264
Machinery and equipment	388,076	18,065	-	406,141
Infrastructure	2,346,532	-	-	2,346,532
Total capital assets being depreciated	<u>5,527,839</u>	<u>299,098</u>	<u>-</u>	<u>5,826,937</u>
Less accumulated depreciation for:				
Buildings	605,263	87,712	-	692,975
Machinery and equipment	238,359	28,075	-	266,434
Infrastructure	778,240	70,930	-	849,170
Total accumulated depreciation	<u>1,621,862</u>	<u>186,717</u>	<u>-</u>	<u>1,808,579</u>
Total capital assets, being depreciated, net	<u>3,905,977</u>	<u>112,381</u>	<u>-</u>	<u>4,018,358</u>
Governmental activities capital assets, net	<u>\$ 4,132,080</u>	<u>\$ 112,381</u>	<u>\$ 19,487</u>	<u>\$ 4,224,974</u>

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 5 CAPITAL ASSETS AND DEPRECIATION (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 91,435	\$ -	\$ -	\$ 91,435
Construction in progress	<u>2,155,490</u>	<u>-</u>	<u>2,155,490</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,246,925</u>	<u>-</u>	<u>2,155,490</u>	<u>91,435</u>
Capital assets, being depreciated:				
Buildings	27,100	-	-	27,100
Utility distribution and collection systems	9,397,139	2,666,122	-	12,063,261
Machinery and equipment	<u>429,430</u>	<u>-</u>	<u>-</u>	<u>429,430</u>
Total capital assets being depreciated	<u>9,853,669</u>	<u>2,666,122</u>	<u>-</u>	<u>12,519,791</u>
Less accumulated depreciation for:				
Buildings	27,100	-	-	27,100
Utility distribution and collection systems	4,538,389	362,997	-	4,901,386
Machinery and equipment	<u>290,197</u>	<u>19,773</u>	<u>-</u>	<u>309,970</u>
Total accumulated depreciation	<u>4,855,686</u>	<u>382,770</u>	<u>-</u>	<u>5,238,456</u>
Total capital assets, being depreciated, net	<u>4,997,983</u>	<u>2,283,352</u>	<u>-</u>	<u>7,281,335</u>
Business-type activities capital assets, net	<u>\$ 7,244,908</u>	<u>\$ 2,283,352</u>	<u>\$ 2,155,490</u>	<u>\$ 7,372,770</u>

Depreciation expenses were charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General government	\$ 1,337
Public safety	8,983
Public health	14,000
Highways and streets, including depreciation of general infrastructure assets	74,580
Park, recreation and public property	<u>87,817</u>
Total depreciation expense - governmental activities	<u>\$ 186,717</u>
<u>Business-type activities:</u>	
Water	\$ 152,317
Sewer	57,677
Electric	<u>172,776</u>
Total depreciation expense - business-type activities	<u>\$ 382,770</u>

**NOTE 6 DEFERRED REVENUE**

Deferred revenue is a combination of deferred property tax revenue, and donations for various projects.

In conjunction with the implementation of GASB pronouncement 33 "*Accounting and Financial Reporting for Nonexchange Transactions*" the City has accrued a property tax receivable and deferred property tax revenue in the amount of \$150,000.

Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 6 DEFERRED REVENUE (Continued)**

property tax to be levied on October 1, 2005 is not expected to be received within 60 days after year ended June 30, 2005, the City is required to record a receivable and deferred revenue of the estimated amount of the total property tax to be levied on October 1, 2005.

As of June 30, 2005 the City received donations to building a swimming pool and restore the old city hall totaling \$221,583 and \$8,137 respectively. These donations will not be recorded as revenue until the funds have been expended for the respective projects.

**NOTE 7 LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2005.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
<u>Governmental Activities:</u>					
General obligation bonds					
Streets 1993	\$ 397,000	\$ -	\$ 61,000	\$ 336,000	\$ 63,000
Streets 1994	40,000	-	6,000	34,000	6,000
	<u>437,000</u>	<u>-</u>	<u>67,000</u>	<u>370,000</u>	<u>69,000</u>
Revenue bonds					
Public building 1999	1,980,000	-	90,000	1,890,000	100,000
Public building 2004	321,000	-	-	321,000	60,000
Streets 2002	160,000	-	17,666	142,334	16,000
Less unamortized bond issue costs	(6,000)	-	(1,333)	(4,667)	-
	<u>2,455,000</u>	<u>-</u>	<u>106,333</u>	<u>2,348,667</u>	<u>176,000</u>
Total bonds payable	<u>2,892,000</u>	<u>-</u>	<u>173,333</u>	<u>2,718,667</u>	<u>245,000</u>
Capital lease	<u>30,448</u>	<u>-</u>	<u>30,448</u>	<u>-</u>	<u>-</u>
Total capital leases	<u>30,448</u>	<u>-</u>	<u>30,448</u>	<u>-</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 2,922,448</u>	<u>\$ -</u>	<u>\$ 203,781</u>	<u>\$ 2,718,667</u>	<u>\$ 245,000</u>



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
<b>Business-type Activities:</b>					
Water fund					
Subordinated water 1990	\$ 202,000	\$ -	\$ 28,000	\$ 174,000	\$ 28,000
Water parity 1998	1,505,000	-	31,000	1,474,000	33,000
Water parity 2003A	620,579	318,421	-	939,000	36,000
Water parity 2003B	500,000	-	2,732	497,268	4,986
Water fund total	<u>2,827,579</u>	<u>318,421</u>	<u>61,732</u>	<u>3,084,268</u>	<u>101,986</u>
Sewer fund					
Sewer refunding 1992A	26,000	-	4,000	22,000	4,000
Sewer refunding 1992B	656,000	-	82,000	574,000	86,000
Sewer refunding 1992C	22,000	-	3,000	19,000	3,000
Sewer fund total	<u>704,000</u>	<u>-</u>	<u>89,000</u>	<u>615,000</u>	<u>93,000</u>
Electric fund					
Electric Refunding 1996	330,000	-	80,000	250,000	80,000
Electric Revenue 2002A	1,326,000	-	80,000	1,246,000	82,000
Capital lease	112,043	-	21,086	90,957	21,728
Less unamortized bond issue costs	<u>(62,249)</u>	<u>-</u>	<u>(16,902)</u>	<u>(45,347)</u>	<u>-</u>
Electric fund total	<u>1,705,794</u>	<u>-</u>	<u>164,184</u>	<u>1,541,610</u>	<u>183,728</u>
Total business-type activity long-term liabilities	<u>\$ 5,237,373</u>	<u>\$ 318,421</u>	<u>\$ 314,916</u>	<u>\$ 5,240,878</u>	<u>\$ 378,714</u>

Payments made on bond and capital leases which pertain to the City's governmental activities with the exception of the Public Building Bonds, are made by the General Fund. The Public Building Bonds are paid by the Municipal Building Authority Special Revenue Fund.

The City has pledged as collateral for the revenue bonds only their respective water, sewer, and power facilities and the revenues therefrom.

On February 22, 1997, the City refinanced \$800,000 in 1988-A series bonds with a new \$833,000 bond issue. Associated with this bond refinance were underwriting and issuance costs of \$160,787. These costs are being amortized on a straight line basis over the life of the new bond issue of eleven years. Amortization expense for the period was \$14,617.

On December 20, 2002, the City refinanced \$1,457,551 in 1990 series bonds with a new \$1,463,000 bond issue. Associated with this bond refinance were issuance costs of \$22,854. These costs are being amortized on a straight-line basis over the life of the new bond issue of ten years. Amortization expense for the period was \$2,285. The transaction resulted in an economic gain of \$231,371 and a reduction of \$372,525 in future debt service payments.

On June 14, 2002 the Division of Drinking Water authorized a loan of \$1,074,000 along with a forgiveness of repayment of \$215,000 of the loan. On October 10, 2003 the Division authorized an increase of \$100,000 along with a forgiveness of \$20,000 of the increase at the same terms and conditions as the original loan. The revised loan amount was \$1,174,000 with a total principal forgiveness of \$235,000 and repayable principal of \$939,000 over a period of 20 years at a rate of 2.60%. To date the City has only drawn \$620,579 of the repayable principal amount. The City intends to draw the remaining amount during the next fiscal year.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

The City issued Water Parity Bonds Series 2003B for \$500,000 payable in monthly installments of \$2,270.00 with an interest rate of 4.50%. The bond is payable for 40 years.

On June 15, 2004 the Municipal Building Authority issued the Lease Revenue Bonds Series 2004 for \$321,000. The bonds carry a variable interest rate of 2.30% to 3.90%. Interest payments are made semi-annually with principal payments annually.

**Capital Leases**

The City has entered into a capital lease agreement for the purchase of a bucket and line truck. The leased property of \$130,500 (with accumulated depreciation of \$26,100) is included in the electric fund. The lease agreement calls for monthly payments of \$2,013.

The following is a schedule by year of the future minimum lease payments under the capital lease:

Year Ending June 30,	
2006	\$ 24,159
2007	24,159
2008	24,159
2009	<u>24,159</u>
Total future minimum lease payments	96,636
Imputed Interest	<u>(5,679)</u>
Present Value of Capital Lease	<u><u>\$ 90,957</u></u>

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

The following is a schedule of the future minimum payments for all long term debt:

Fiscal Year Ended June 30	General Obligation Bonds					
	Capital Leases		Streets 1993		Streets 1994	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 21,728	\$ 2,431	\$ 63,000	\$ 10,080	\$ 6,000	\$ 1,020
2007	22,388	1,771	65,000	8,190	7,000	840
2008	23,070	1,089	67,000	6,240	7,000	630
2009	23,771	388	69,000	4,230	7,000	420
2010	-	-	72,000	2,160	7,000	210
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
	<u>\$ 90,957</u>	<u>\$ 5,679</u>	<u>\$ 336,000</u>	<u>\$ 30,900</u>	<u>\$ 34,000</u>	<u>\$ 3,120</u>
	Interest Rate: 3.0% - 5.9%		Interest Rate: 3.0%		Interest Rate: 3.0%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30	Revenue Bonds					
	Public Building 1999		Public Building 2004		Streets 2002	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 100,000	\$ 113,143	\$ 60,000	\$ 7,411	\$ 16,000	\$ No
2007	105,000	107,143	62,000	6,952	16,000	Interest
2008	110,000	100,790	64,000	5,664	16,000	Charged
2009	115,000	94,135	66,000	3,775	16,000	-
2010	125,000	87,120	69,000	1,346	16,000	-
2011	100,000	79,433	-	-	16,000	-
2012	110,000	73,483	-	-	16,000	-
2013	115,000	66,938	-	-	16,000	-
2014	120,000	60,095	-	-	14,334	-
2015	130,000	52,955	-	-	-	-
2016	135,000	45,220	-	-	-	-
2017	145,000	37,188	-	-	-	-
2018	150,000	28,560	-	-	-	-
2019	160,000	19,635	-	-	-	-
2020	170,000	10,115	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
	<u>\$ 1,890,000</u>	<u>\$ 975,953</u>	321,000	<u>\$ 25,148</u>	<u>\$ 142,334</u>	<u>\$ -</u>
Less unamortized bond issuance costs			(4,667)			
			<u>\$ 316,333</u>			
	Interest Rate: 5.85%-6.15% Adjusted annually		Interest Rate: 2.3%-3.9% Adjusted annually		Interest Rate: None Charged	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30,	Revenue Bonds							
	Subordinated Water 1990		Water Parity 1998		Water Parity 2003A		Water Parity 2003B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 28,000	\$ 1,750	\$ 33,000	\$ 21,180	\$ 36,000	\$ 23,478	\$ 4,986	\$ 22,254
2007	29,000	1,470	36,000	20,685	37,000	22,516	5,215	22,025
2008	29,000	1,180	39,000	20,145	38,000	21,528	5,455	21,785
2009	29,000	890	43,000	19,560	39,000	20,514	5,705	21,535
2010	30,000	600	71,000	18,915	40,000	19,474	5,967	21,273
2011	29,000	300	75,000	17,850	41,000	18,408	6,242	20,998
2012	-	-	79,000	16,725	43,000	17,290	6,528	20,712
2013	-	-	107,000	15,540	44,000	16,146	6,828	20,412
2014	-	-	112,000	13,935	45,000	14,976	7,142	20,098
2015	-	-	124,000	12,255	46,000	13,780	7,470	19,770
2016	-	-	129,000	10,395	47,000	12,558	7,813	19,427
2017	-	-	134,000	8,460	48,000	11,310	8,172	19,068
2018	-	-	139,000	6,450	50,000	10,010	8,548	18,692
2019	-	-	145,000	4,365	51,000	8,684	8,940	18,300
2020	-	-	146,000	2,190	52,000	7,332	9,351	17,889
2021	-	-	62,000	620	54,000	5,928	9,780	17,460
2022	-	-	-	-	55,000	4,498	10,230	17,010
2023	-	-	-	-	56,000	3,042	10,700	16,540
2024	-	-	-	-	58,000	1,534	11,191	16,049
2025-2029	-	-	-	-	59,000	-	64,157	72,043
2030-2034	-	-	-	-	-	-	80,312	55,888
2035-2039	-	-	-	-	-	-	100,534	35,666
2040-2044	-	-	-	-	-	-	106,002	10,668
	<u>\$ 174,000</u>	<u>\$ 6,190</u>	<u>\$ 1,474,000</u>	<u>\$ 209,270</u>	<u>\$ 939,000</u>	<u>\$ 253,006</u>	<u>\$ 497,268</u>	<u>\$ 545,562</u>
	Interest Rate: 1.0%		Interest Rate: 1.5%		Interest Rate: 2.6%		Interest Rate: 2.6%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30,	Revenue Bonds					
	Sewer Refunding 1992A		Sewer Refunding 1992B		Sewer Refunding 1992C	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 4,000	\$ No	\$ 86,000	\$ 25,830	\$ 3,000	\$ 855
2007	3,000	Interest	89,000	22,960	3,000	720
2008	4,000	Charged	93,000	17,955	3,000	585
2009	4,000	-	98,000	13,770	3,000	450
2010	4,000	-	102,000	9,360	3,000	315
2011	3,000	-	106,000	5,770	4,000	180
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2035-2039	-	-	-	-	-	-
2040-2044	-	-	-	-	-	-
	<u>\$ 22,000</u>	<u>\$ -</u>	<u>\$ 574,000</u>	<u>\$ 95,645</u>	<u>\$ 19,000</u>	<u>\$ 3,105</u>
	Interest Rate: None Charged		Interest Rate: 4.5%		Interest Rate: 4.5%	

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 7 LONG-TERM DEBT (Continued)**

Fiscal Year Ended June 30	Revenue Bonds				Total		
	Electric Refunding 1996		2002A Electric System Revenue		Principal	Interest	Total
	Principal	Interest	Principal	Interest			
2006	\$ 80,000	\$ 12,038	\$ 82,000	\$ 59,777	\$ 623,714	\$ 301,247	924,961
2007	80,000	7,888	85,000	57,071	644,603	280,231	924,834
2008	90,000	3,566	88,000	54,053	676,525	255,210	931,735
2009	-	-	91,000	50,753	609,476	230,420	839,896
2010	-	-	95,000	47,159	639,967	207,932	847,899
2011	-	-	99,000	43,311	479,242	186,250	665,492
2012	-	-	103,000	39,153	357,528	167,363	524,891
2013	-	-	108,000	34,673	396,828	153,709	550,537
2014	-	-	114,000	28,463	412,476	137,567	550,043
2015	-	-	120,000	21,908	427,470	120,668	548,138
2016	-	-	127,000	15,008	445,813	102,608	548,421
2017	-	-	134,000	7,705	469,172	83,731	552,903
2018	-	-	-	-	347,548	63,712	411,260
2019	-	-	-	-	364,940	50,984	415,924
2020	-	-	-	-	377,351	37,526	414,877
2021	-	-	-	-	125,780	24,008	149,788
2022	-	-	-	-	65,230	21,508	86,738
2023	-	-	-	-	66,700	19,582	86,282
2024	-	-	-	-	69,191	17,583	86,774
2025-2029	-	-	-	-	123,157	72,043	195,200
2030-2034	-	-	-	-	80,312	55,888	136,200
2035-2039	-	-	-	-	100,534	35,666	136,200
2040-2044	-	-	-	-	106,002	10,668	116,670
	250,000	\$ 23,492	1,246,000	\$ 459,031	8,009,559	\$ 2,636,101	\$ 10,645,660
Less unamortized bond issuance costs	(28,016)		(17,331)		(50,014)		
	\$ 221,984		\$ 1,228,669		\$ 7,959,545		
	Interest Rate: 5.05%-5.3% Adjusted annually		Interest Rate: 2.3% - 5.75% Adjusted Annually				

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 8 DEFINED BENEFIT PENSION PLAN**

Plan Description

Manti City Corporation contributes to the Local Government Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Manti City Corporation is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Manti City Corporation's contributions to the Noncontributory Retirement Systems for June 30, 2005, 2004, and 2003 were \$53,214, \$42,192, and \$37,411, respectively. The contributions were equal to the required contributions for each year.

The City participates in a deferred compensation plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. During the years ended June 30, 2005, 2004, and 2003 employer contributions were \$10,998, \$9,923, and \$9,608, respectively. Employee contributions were \$21,322, \$18,962, and \$17,374 for the same periods. Plan assets are held by the Utah Retirement Systems.

**NOTE 9 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2005 there were not outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2005 which exceeded its insurance coverage.



**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 10 JOINT VENTURE**

The Utah Municipal Power Agency (UMPA) was created jointly as a separate legal entity and political subdivision of the State of Utah by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Cooperation Act. UMPA's membership consists of six municipalities. UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation, or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of the member municipalities. UMPA has issued revenue bonds to purchase an interest in various electrical generation facilities to provide power to its members. Under the terms of the S-1 Power Sales Agreement the members are obligated to pay their proportionate share, based upon members' energy purchases, of all operation and maintenance expenses and debt service on the revenue bonds incurred by UMPA. Furthermore, they are obligated to purchase all of their energy needs from UMPA.

UMPA is governed by a Board of Directors. Each member appoints one director to the Board. All decisions of the Board are made by majority vote, except in specific decisions as described in the Interlocal Cooperation Agreement where votes shall be by number of megawatt hours sold.

Below is a summary of the financial position of UMPA. Complete separate financial statements for the agency may be obtained at Utah Municipal Power Agency, 40 South Main, Spanish Fork, Utah 84660.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 10 JOINT VENTURE (Continued)**

**Utah Municipal Power Agency**  
**Balance Sheet**  
**June 30, 2005**

<b>Assets</b>	
Current assets	\$ 32,255,061
Deferred charges and other assets	5,738,331
Net utility plant and equipment	<u>19,923,089</u>
Total Assets	<u><u>\$ 57,916,481</u></u>
<b>Membership Capital and Liabilities</b>	
Current liabilities	\$ 8,092,896
Deferred revenues	5,046,207
Long-term liabilities	<u>44,774,028</u>
Total Liabilities	57,913,131
Membership Capital	<u>3,350</u>
Total Liabilities and Capital	<u><u>\$ 57,916,481</u></u>

**Utah Municipal Power Agency**  
**Statements of Revenues and Expenses**  
**June 30, 2005**

Total operating revenue	\$ 59,003,956
Total operating expenses	<u>53,458,446</u>
Net operating income (loss)	5,545,510
Total non-operating income (expense)	<u>(1,894,317)</u>
(Loss) earnings before adjustment to net (costs)/revenues to be (recovered)/returned in future billings to members	3,651,193
Decrease/(increase) in net costs/(revenues) to be recovered/(returned) in future billings to members	<u>(3,651,193)</u>
Excess of revenues over expenses	<u>\$ -</u>

UMPA bills members at rates sufficient to cover the costs of operating and maintaining the Agency and the costs of debt service, but not items such as depreciation and amortization. Thus, any gain or loss results in a decrease or increase in subsequent billings to members, rather than increasing or decreasing member's equity as would normally be expected. The current member's equity only reflects the original investment from members, less the amount returned to two cities which withdrew from UMPA.

**MANTI CITY CORPORATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2005 is as follows:

Due to/from other funds:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ 262,586
Manti Pageant Service Organization	58,474	-
Municipal Building Authority	4,316	-
Business Development	-	24,472
Water	78,811	-
Sewer	-	102,515
Electric	247,972	-
	<u>\$ 389,573</u>	<u>\$ 389,573</u>

Interfund transfers for the year ended June 30, 2005 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 250,000	\$ -
Municipal Building Authority	23,000	-
Business Development	29,000	-
Water	-	70,000
Sewer	600,000	-
Electric	-	832,000
	<u>\$ 902,000</u>	<u>\$ 902,000</u>

**SUPPLEMENTAL INFORMATION**

**MANTI CITY CORPORATION**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2005**

	Special Revenue		
	Business Development	Manti Pageant Service Organization	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Due from other funds	\$ -	\$ 58,474	\$ 58,474
Restricted assets:			
Cash and cash equivalents	26,402	-	26,402
Total Assets	<u>\$ 26,402</u>	<u>\$ 58,474</u>	<u>\$ 84,876</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 35,467	\$ 35,467
Due to other funds	24,472	-	24,472
Total Liabilities	<u>24,472</u>	<u>35,467</u>	<u>59,939</u>
<b>Fund Balances:</b>			
Unreserved, reported in:			
Business Development	1,930	-	1,930
Manti Pageant Service Organization	-	23,007	23,007
Total Fund Balances	<u>1,930</u>	<u>23,007</u>	<u>24,937</u>
Total Liabilities and Fund Balances	<u>\$ 26,402</u>	<u>\$ 58,474</u>	<u>\$ 84,876</u>

**MANTI CITY CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2005**

	Special Revenue		Total
	Business Development	Manti Pageant Service Organization	Governmental Funds
<b>Revenues:</b>			
Charges for services	\$ -	\$ 59,237	\$ 59,237
Miscellaneous revenues	-	3,343	3,343
Interest	203	-	203
<b>Total Revenues</b>	<b>203</b>	<b>62,580</b>	<b>62,783</b>
<b>Expenditures:</b>			
Current:			
General government	-	73,973	73,973
Parks, recreation and public property	45,421	-	45,421
<b>Total Expenditures</b>	<b>45,421</b>	<b>73,973</b>	<b>119,394</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,218)	(11,393)	(56,611)
<b>Other Financing Sources (Uses):</b>			
Transfers in (out)	29,000	-	29,000
<b>Total Other Financing Sources (Uses)</b>	<b>29,000</b>	<b>-</b>	<b>29,000</b>
<b>Net Change in Fund Balances</b>	<b>(16,218)</b>	<b>(11,393)</b>	<b>(27,611)</b>
<b>Fund Balance, Beginning</b>	<b>18,148</b>	<b>34,400</b>	<b>52,548</b>
<b>Fund Balance, Ending</b>	<b>\$ 1,930</b>	<b>\$ 23,007</b>	<b>\$ 24,937</b>

**MANTI CITY CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - NONMAJOR BUSINESS DEVELOPMENT**  
**SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Interest	-	200	203	3
Total Revenues	-	200	203	3
<b>Expenditures:</b>				
Current:				
Parks, recreation and public property	27,000	46,000	45,421	579
Total Expenditures	27,000	46,000	45,421	579
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,000)	(45,800)	(45,218)	582
<b>Other Financing Sources (Uses):</b>				
Transfers in (out)	-	29,000	29,000	-
Total Other Financing Sources	-	29,000	29,000	-
Net Change in Fund Balance	\$ (27,000)	\$ (16,800)	(16,218)	\$ 582
<b>Fund Balance, Beginning</b>			18,148	
<b>Fund Balance, Ending</b>			<u>\$ 1,930</u>	

**MANTI CITY CORPORATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL - NONMAJOR MANTI PAGEANT SERVICE**  
**ORGANIZATION SPECIAL REVENUE FUND**  
**For The Year Ended June 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with final budget - Under (Over)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ 70,000	\$ 59,237	\$ (10,763)
Miscellaneous revenues	-	5,000	3,343	(1,657)
Total Revenues	-	75,000	62,580	(12,420)
<b>Expenditures:</b>				
Current:				
General government	-	75,000	73,973	1,027
Total Expenditures	-	75,000	73,973	1,027
Net Change in Fund Balance	\$ -	\$ -	(11,393)	\$ (11,393)
<b>Fund Balance, Beginning</b>			34,400	
<b>Fund Balance, Ending</b>			\$ 23,007	



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**INDEPENDENT AUDITORS' REPORT ON  
STATE OF UTAH LEGAL COMPLIANCE**

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the basic financial statements of Manti City Corporation, for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005. As part of our audit, we have audited Manti City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B&C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Liquor Law Enforcement  
Justice Courts  
B & C Road Funds  
Other General Compliance Issues  
Impact Fees

The management of Manti City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Recommendations*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Manti City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.  
November 18, 2005



**KEMP BURDICK**

KEMP BURDICK HINTON & HALL L.L.C.

**CPA'S & ADVISORS**

## FINDINGS AND RECOMMENDATIONS

Honorable Mayor and  
Members of City Council  
Manti City Corporation  
Manti, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
BRENT R. HALL  
KENNETH A. HINTON  
GREGORY A. KEMP  
MORRIS J. PEACOCK  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We wish to commend the City for their administrative achievements and oversight of the City's accounting and budgeting system this last fiscal year. During our audit of the funds of Manti City for the fiscal year ended June 30, 2005 we noted a few areas needing corrective action in order for the City to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

### Compliance Findings and Recommendations:

#### 05-1. Minimum Fund Balance

##### Finding

Utah Code 10-6-116(4) indicates that only the fund balance in excess of 5% of total revenues of the general fund may be utilized for budget purposes. The remaining 5% must be maintained as a minimum fund balance. Although the City has not appropriated fund balance for the fiscal year 2006 budget. The City's unreserved fund balance is less than the required 5% minimum fund balance requirement.

##### Recommendation

We recommend that the City consider methods for increasing the General fund unreserved balance in order to be in compliance with State law.

#### 05-2. Bond Reserve Requirements

We noted that the Bond Reserve Funds have not been properly funded as required by the bond covenants.

##### Recommendation

We recommend that the City fund the Bond Reserve accounts and make the required annual bond reserve fund installment as required.

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### 05-3. State Required Fidelity Bonding

Utah code 51-7-15 and rule 4 of the Utah Money Management Act require that every public treasurer shall secure a fidelity bond calculated in relation to the total budgeted gross revenue for that entity. We noted that the current fidelity bond does not meet the required amount.

#### Recommendation

We recommend that the City increase the fidelity bond on the Public Treasurer to meet the amount required by State Law.

### **General Findings and Recommendations:**

#### 04-1. Segregation of Duties

##### Finding

The City continues to lack a complete segregation of duties in two areas. The same individual receipts court fines and also records court transactions in the docket. This same individual is also authorized to make adjustments to the court docket for certain waivers of fines and/or fees. Also, the individual who records all of the Ambulance Association transactions (except that billings are done by an outside service organization) also prepares bank reconciliations, handles cash disbursements and makes payments online.

We noted mitigating controls in place, such as various independent reviews, such that this lack of segregation is no longer considered a significant or material weakness. We choose to continue to mention proper segregation in order to remind management of its importance until such time as the City has the need for additional staff and can fully segregate custody of assets and recording functions.

##### Recommendation

We recommend that the management continue the independent reviews/controls and consider ways that segregation of duties can be achieved within its accounting and administrative functions, especially as the City continues to grow and additional staff are considered necessary.

#### 05-1. Budgets for the MPSO and MIBA funds

We noted that an original budget was prepared for the MPSO and MIBA funds; however, it was not entered into the Caselle accounting system. We also noted that the original budget for the MIBA Bus Dev fund did not include a budget item for revenues and transfers.

##### Recommendation

We recommend that budgets be entered into the Caselle accounting system and that all items requiring a budget allocation are considered in preparing the budgets.

05-2. Fixed Asset Inventory

During test work, we noted that a physical inventory of fixed assets had not been performed during the year.

Recommendation

We recommend that the City perform a physical Fixed Asset inventory at least annually and that, when practical, assets be tagged with an inventory tag and number.

Responses

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the City Council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

*Kemp, Burdick, Hinton & Hall, L.C.*

KEMP, BURDICK, HINTON & HALL, L.C.

November 18, 2005

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**MANTI CITY CORPORATION**

**Manti City's responses to the findings and recommendations made as part of the Manti City audit for the period ended June 30, 2005 are as follows:**

**Compliance Findings and Recommendations:**

05-1 Minimum Fund Balance

Finding

Recommendation

Response by Manti City

Manti City will develop methods for increasing the general fund unreserved balance in order to be in compliance with State law. It is anticipated this will be accomplished by the end of fiscal year 2006.

05-2. Bond Reserve Requirements

Finding

Recommendation

Response by Manti City

Manti City has began funding the bond reserve accounts as required by the bond covenants.

05-3. State Required Fidelity Bonding

Finding

Recommendation

Response by Manti City

Manti City will increase the fidelity bond on the public treasurer to meet the amount required by State law.



**General Findings and Recommendations:**

**04-1. Segregation of Duties**

Finding

Recommendation

Response by Manti City

Manti City will continue to utilize an independent firm for review and controls and will continue to maintain a high quality records to assure adequate controls.

**05-1. Budgets for the MPSO and MIBA Funds**

Finding

Recommendation

Response by Manti City

Manti City will develop and utilize budgets for the MPSO and MIBA funds and these elements will be entered into the Caselle accounting system. They will become part of the regular budget and financial reports of Manti City.

**05-2. Fixed Asset Inventory**

Finding

Recommendation

Response by Manti City

Manti City has maintained an ongoing fiscal fixed assets inventory and this inventory is updated as items are acquired and disposed of. This inventory will be maintained in the future and will be available for review by the audit firm.

Manti City takes this opportunity to express their appreciation to the Audit Firm for both the professional manner in which they conducted the audit and for the thoroughness displayed by the firm. Their professionalism is appreciated.

William A. Mickelson  
Recorder/Administrator, Manti City

cc: Mayor and Council  
Justice Court Clerk  
Jensen & Keddington Financial Advisors